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October 12, 2011

Via Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: Notice of Ex Parte Communication, WC Docket 10-90, GN Docket 09-51, WC Docket 07-135, WC Docket 05-337, CC Docket 01-92, CC Docket 96-45, WC Docket 03-109

Dear Ms. Dortch:

On October 11, Seth Davis, Chief Executive Officer and President of Virgin Islands Telephone Company d/b/a Innovative Telephone ("Vitelco") and the undersigned spoke by telephone with Amy Bender and Joseph Cavender of the Wireline Competition Bureau concerning issues in the above-referenced dockets. In this presentation, Vitelco recapitulated the points discussed in its written submissions previously filed in these dockets, including the unique cost and demographic issues facing companies like Vitelco that seek to deploy broadband networks in insular territories such as the United States Virgin Islands. Vitelco also noted that it is under particular financial constraints due to the commitments made to territorial regulators when its current owner, a subsidiary of National Rural Utilities Cooperative Finance Corporation, acquired the company as the result of a Chapter 11 bankruptcy proceeding involving the former owner. Vitelco relies heavily on its current high-cost support receipts (which will total approximately $3.5 million in high-cost loop support and $13.0 million in Interstate Common Line Support for the twelve month period that began July 1, 2011) to provide affordable service to its customers and to maintain and upgrade its network.

Vitelco notes that the Congressional delegates of four territories, including the Virgin Islands, wrote to Chairman Genachowski on October 4, 2011, raising many of the same concerns that Vitelco has previously expressed in these dockets, and urging the Commission to exempt carriers in insular areas "from any phase-down of – or caps on – current levels of high-cost support." A copy of the delegates' letter is provided as Attachment 1 hereto.

During the call, Mr. Cavender asked about the current level of Vitelco's local rates. Mr. Davis did not have the exact amounts readily available during the call. However, a list of

Boston
Frankfurt
Hartford
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
Santa Monica
Silicon Valley
Tokyo
Washington

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Vitelco prices is provided as Attachment 2 hereto. Among other things, this shows that the price for flat-rate residential telephone service, including EUCL but excluding USF and taxes, is $28.15 per month.

Vitelco also discussed the proposed ABC Plan, which, if adopted, would base support for the Virgin Islands on a forward-looking cost model, because Vitelco is currently regulated as a price cap ILEC. As an initial matter, Vitelco understands that the database used in the proposed cost model does not include any entries for Puerto Rico or the Virgin Islands. It would therefore be impossible to implement this proposal for these two study areas. Furthermore, even if the data were available, Vitelco is concerned that the proposed modeling approach would be inappropriate for insular areas, since it would not take account of unique costs incurred to provide service in these areas. For example, the unit costs of equipment and materials for Vitelco are considerably higher than for typical mainland companies due to the much higher shipping costs, storage costs, and added costs resulting from the climate and topography of the islands. Therefore, even a cost model that contained accurate location, density, and distance information for the Virgin Islands would produce unreasonable results if it were based on mainland-average costs of equipment and other network inputs.

For the foregoing reasons, Vitelco requested that it be excluded from the ABC Plan or any similar model-based plan for high-cost support that may be adopted. Vitelco requested that the Commission allow it to retain "legacy" high-cost support, subject to any changes in those legacy programs that may be adopted in this proceeding such as the proposed limitation of corporate operations expense recovery, for a minimum of five years; and that, during that period, the Commission study the specific funding needs of the insular areas and adopt a new support mechanism tailored to these territories.

Further, Vitelco urges the Commission to address the near-term treatment of the insular territories in the same decision in which it adopts new high-cost support rules, and not to defer this issue to either a subsequent order or a waiver process. If, as anticipated, the new rules are scheduled to take effect on July 1, 2012, it will be difficult for affected parties to provide and for the Commission to act upon further proceedings in time to complete them before the new support scheme is due to be implemented.

Respectfully submitted,

/s/___________________
Russell M. Blau

cc: Seth Davis
Amy Bender
Joseph Cavender

Attachment 1

Congress of the United States
Washington, DC 20515

October 4, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, N.W.
Washington, D.C. 20554

Dear Chairman Genachowski,

We are writing to urge the Federal Communications Commission (FCC) to recognize the unique economic, social and geographic challenges facing the U.S. Virgin Islands, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa (the "Insular Areas") and to adopt specific universal service support mechanisms for the Insular Areas. Such tailored universal service support mechanisms are essential to ensure that the residents of the Insular Areas have access to affordable voice and broadband communications services that are reasonably comparable to the services available in urban areas, consistent with Congress' mandate in Section 254(b)(3) of the Communications Act of 1934, as amended.

Specifically, we urge the Commission to adopt an alternative universal service reform approach for the Insular Areas by exempting insular carriers from any phase-down of, or caps on, current levels of high-cost support. We also urge the Commission not to implement a reverse auction mechanism for broadband funding in the Insular Areas. However, if the Commission implements a reverse auction for such funding, we urge the Commission to set aside funding specifically for broadband deployment in the Insular Areas. We also encourage the Commission to exempt Insular Areas from its prior decision to cap support for competitive carriers at March 2008 levels. That cap has harmed, and continues to harm, consumers in the Insular Areas by hindering the ability of wireless carriers to deploy infrastructure and deliver voice and broadband service. We believe that phasing-down support from the already reduced cap levels could be devastating to consumers in the Insular Areas. Further, we would request that the Commission include in their final regulations a policy that would prohibit any carrier who receives FCC funding from charging international rates for calls to the Insular Areas from the mainland. Unfortunately, the U.S. District Court of Appeals for the District of Columbia circuited overruled an FCC ruling that indicated rate integration rules require telephone providers to provide adequate and affordable coverage to non-contiguous domestic locations based on equivalent rates of comparable distances in the contiguous 48 states. We believe as USF funding regulations are being contemplated that this is a key opportunity to re-affirm and implement an important previous FCC ruling.

We commend the Commission for asking whether there are "unique circumstances in insular areas that would necessitate a different USF regime." We firmly believe that there are unique circumstances, and as a result, carriers serving the Insular Areas must be treated differently than carriers serving the 50 states as the Commission proceeds with its universal service reforms.

The Insular Areas face a host of significant challenges that make it difficult to achieve significant broadband penetration. First, the Insular Areas are remote, and as a result, the cost of shipping, deploying, and maintaining telecommunications infrastructure is much higher than on the U.S. mainland. Second, the Insular Areas experience severe tropical weather, including cyclones and hurricanes, and are located in active earthquake zones. Third, the Insular Areas suffer from high unemployment and other negative effects from the recent economic downturn. For example, according to the most recent unemployment figures, Guam's rate is 13.3%, Puerto Rico's rate is 17.2% in Puerto Rico, and American Samoa's rate is 29.8%. It is these high unemployement and high poverty levels in the Insular Areas that inhibit access to telephone service. A staggering portion of the population in the U.S. territories live below the poverty line – 23% in Guam; 23.8% in the USVI; 44.8% in Puerto Rico; and 61% in American Samoa. Finally, in some Insular Areas, there is no pervasive wireline infrastructure of the kind taken for granted on the mainland. Without access to wireline service, consumers are especially dependent on wireless networks for critical communications.

The Commission has rightfully carved out an exemption from the March 2008 cap for carriers in tribal lands, including Alaska, primarily on the basis that these areas are costly to serve, are generally remote, have low telephone penetration levels and suffer unique economic hardships. The Insular Areas are much like tribal lands on these measures, and thus, the same exemption should apply.

We are well aware of the Commission's National Broadband Plan, and the agency's focus on transitioning to a new program that will support broadband services, as well as voice services. However, significant portions of the Insular Areas do not yet have the same types of telecommunications services that are available to residents of the fifty states. Thus, sufficient high-cost support for the Insular Areas must be available to complete – and enhance – the deployment of both voice and broadband services. One approach to doing so would be to adopt a rule that expressly permits service providers to utilize high-cost support for broadband infrastructure that complements the maintenance and support of existing networks. This would enable telecommunications carriers in the Insular Areas to focus on improving access to basic communications services, while advancing the Commission's objective of "[e]nsuring all people have access to broadband."

We appreciate the Commission's attention to and consideration of this request. It is important to finally recognize the unique challenges facing the Insular Areas, and to adopt appropriate – and specially tailored – universal support mechanisms for carriers serving the U.S. territories, including exempting insular carriers from any phase-down of – or caps on – current levels of high-cost support.

Sincerely,

Sincerely,

MADELEINE Z. BORDALLO
Member of Congress

ENI F.H. FALEOMAVAEGA
Member of Congress

DONNA CHRISTENSEN
Member of Congress

GREGORIO "KILILI" CAMACHO SABLAN
Member of Congress

Attachment 2

INNOVATIVE TELEPHONE

TO ORDER CLASS AND CUSTOM CALLING FEATURES DIAL 779-9999

SERVICE	RESIDENCE RATE	BUSINESS RATE	
ACCESS LINE			
You pay a standard rate each month with unlimited calls between St. Croix, St. Thomas, St. John, and Water Island.	$21.65	Single Line	$58.55
		Key Main Line	$63.30
		PABX Trunk	$99.55
INSTALLATION			
Dispatch Required	$65.00	$105.00	
Ready Service	$20.00	$40.00	
END USER ACCESS CHARGE			
F.C.C. charge for connecting your line to the long distance network.	$6.50	Single Line	$6.50
		Multi Line	$9.20
Universal service charge – subject to change.	$.84	$.84 – $1.16	
NON PUBLISHED NUMBER			
Telephone number is not listed in the Directory and is not available through Directory Assistance.	$7.15	$7.15	
ADDITIONAL DIRECTORY LISTING			
For family members or persons who share one telephone number.	$1.80	$1.80	
CLASS AND CUSTOM CALLING FEATURES	see rates listed on page 4	see rates listed on page 4	
Programming Charge	$10.00	$10.00	
Call Waiting	$2.35/mo.	$4.70/mo.	
Call Forwarding	$1.75/mo.	$3.50/mo.	
Three Way Calling	$2.35/mo.	$3.50/mo.	
Speed Dialing	$1.75/mo.	$3.20/mo.	
Special Package (call waiting & call forwarding)	$2.90/mo.	$7.00/mo.	
VACATION RATES			
INNOVATIVE TELEPHONE will temporarily disconnect your phone; charge you to retain your number & facilities economically.	50% of the monthly rate plus end user charge and universal service charge.	50% of the monthly rate plus end user and universal service charges on single lines, 25% of the monthly rate plus end user & universal service charge on key main line & PABX trunk.	
SERVICE CHARGE - FOR VACATION RATE	$7.31	$7.31	
VOICE MAIL	$3.95	$11.95 – $19.95	